



Thailand: Opportunities to Invest in Tourism Infrastructure

Kornluck Tantisaeree
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Summary

- Thailand has a well-developed tourism industry with strong growth prospects. During the past decade, the tourism industry has been robust and resilient. The country's diverse natural beauty and various tourist attractions, world-famous cuisine, high-quality service and, most importantly, warm hospitality are the key contributors to this remarkable growth.
- With its central location in the ASEAN region and new highway routes linking the country with the Greater Mekong Subregion (GMS) countries. The GMS is a regional cooperation among six countries (Cambodia, Laos, Burma, Thailand, Vietnam and China (Yunnan province)) involving several initiatives, such as establishing transport routes for economic development. Thailand is in a strong position to be the tourism hub of the region.
- There are still many opportunities to invest in Thailand's tourism infrastructure. Potential areas include; property development in major cities, spas, long-term accommodations for foreign retirees and medical patients, theme parks, short-haul air/sea transport, meeting and exhibition centers and yachting marinas.

Note: An exchange rate of US\$1 = Baht 33 is used in this report.

Market Overview

Thailand lies in the heart of Southeast Asia, making it a natural gateway to Vietnam, Laos, Cambodia, Burma and Southern China. The country's scenery is highly diverse, ranging from mountains in the north to beaches and islands along the eastern seaboard and throughout the south. The country has 76 provinces that are further divided into districts, sub-districts and villages. Bangkok, located in central Thailand, is the capital city and the center of political, commercial, industrial and cultural activities. As of December 2007, Thailand had a population of about 63 million, of which approximately 10 million are in Bangkok. It is projected that 62.5% of the population will be between 15 and 64 years of age by 2011.

Tourism has played a significant role in the Thai economy, attracting foreign exchange revenue of about USD 120 million a year. In 2007, the tourism industry represented approximately 6.9% of the country's GDP. Thailand has much to offer tourists such as astonishingly beautiful beaches, lush forests, unique cultures, exotic food and warm hospitality. Despite political uncertainties over the past year, tourism confidence in Thailand remains high, as seen from the 14.46 million international tourists visiting in 2007. This resulted in revenues of USD 16.6 billion. The Tourism Authority of Thailand estimated that 60% of these arrivals were repeat visitors, representing a solid increase from 2006's 13.82 million visitors, which generated revenues of USD 14.6 billion.

In 2003, the Thai government launched a project to establish Thailand as a regional medical hub. According to the Thai Health Ministry, the medical hub project has attracted USD 1.5 billion annually over the past five years. Thailand has been promoting its healthcare tourism, providing visitors with private healthcare facilities at relatively competitive prices. These lower fees coupled with high quality service and the warm hospitality of Thai people has contributed to a rapid inflow of millions of foreign patients into the country. It is expected that tourist arrivals for the purpose of medical treatment will reach two million by 2010.

Market Trends

Thailand's tourism industry is robust and resilient as evidenced by the recovery after the Tsunami disaster at the end of 2004. In 2004, the number of international tourists was 11.65 million, while in 2005 it was 11.52 million; the decrease in international tourists was a mere 1.51%. Subsequently, this number increased to 13.82 million in 2006 and 14.46 million in 2007. Notably, the number of domestic travelers has consistently increased since 1999, during both the pre- and post-Tsunami periods.

Thailand is a favorite destination for world travelers, as evidenced by its consistent appearance in global travel rankings. Travel + Leisure's *World's Best Award* recently ranked Bangkok as the world's best city for travel, and Chiang Mai has secured its no. 3 ranking for two consecutive years. Additionally, Condé Nast Traveler recently ranked Kood Island as the 8th best beach holiday.

Thailand has positioned itself as a gateway facilitating tourism within ASEAN and as the tourism hub of the Greater Mekong Subregion (GMS). In 2008-2009, various routes linking investment with tourism will be established within the GMS, including Route R3A that links the Chiang Rai province of Thailand with the Bokeo district of Lao PDR and the Bo Then and Kunming areas of China, and Route R3B from Chiang Rai to the Tachilek and Chiang Rung areas of Burma and the Yunnan province of China. The R3 routes were opened on 30 March 2008 together with Route 9, which allows tourists to cross the Mekong River at Mukdahan province, Thailand into the Suwannakhet district of Lao PDR and to travel on to several cities in Vietnam, e.g. Quang Tri, Hue, Danang and Hoi Anh.

End-user Analysis and Market Access

In 2007, the breakdown for international tourists visiting Thailand was as follows: East Asia 52.63%, Europe 27%, the Americas 6.36%, Oceania 5.28%, South Asia 4.91%, Middle East 3.02% and Africa 0.81%. The top 10 tourist nationalities were:

Top 10	Country	Percentage
1	Malaysia	10.65%
2	Japan	8.83%
3	South Korea	7.49%
4	China	6.27%
5	U.K.	5.94%
6	U.S.A.	4.71%
7	Australia	4.55%
8	Singapore	4.18%
9	Germany	3.76%
10	India	3.71%

The high-end segment of tourists is mainly from Europe, the U.S.A. and Japan. They spend significant amounts on luxury accommodations and world-class healthcare services. The majority of Westerners love the

beach, thus their favorite destination tends to be the South. Japanese and some groups of Western tourists also like to visit cultural and ancient heritage sites. South Korean tourists, on the other hand, primarily enjoy healthcare tourism and sports activities such as golf.

To enter the market, setting up a joint venture with a Thai company that has local market knowledge and business connections is a wise choice.

Best Prospects for Foreign Investment

Property – Hotel & Resort

Phuket, Thailand's premier holiday travel spot, is a favorite destination among Westerners. In 2007, Travel + Leisure Magazine ranked Phuket as the 8th most favorite island for worldwide tourists. According to the Tourism Authority of Thailand, the number of tourists visiting Phuket was 5.47 million in 2007, up 22.61% from 2006. Phuket's property market has been booming for many years. According to research conducted by Colliers International Thailand, 28 luxury hotels will be opened in Phuket from 2008 to 2011. This will result in an increase of high-end rooms from 340 to 1,145 rooms (a more than 230% increase). The research also indicates that Phuket is increasingly attracting investors from the top end of the market.

Krabi is recognized as an eco-tourism center in the Andaman Sea. The province boasts many tourist attractions, such as hot springs and marine tourist sites. In 2007, the number of tourists visiting Krabi was 2.1 million (a 22.69% increase from 2006), resulting in a 25% increase in tourism revenue. The supply of accommodations has not yet met the demand.

Hua Hin, a beach town resort, is merely 200 km away from Bangkok. It serves as the getaway destination for the city's elites. Bangkokians and expatriates consider Hua Hin a second home. Hua Hin has undergone a rapid expansion with new housing developments, world-class golf courses, shopping complexes and luxurious resorts and spas. A survey by Ocean Property, a Thai property company, shows that Hua Hin's property market grew 10% in 2006, of which USD 0.3 billion was invested in detached housing, USD 0.3 billion in hotels and resorts and USD 60.6 million in condominiums. **Pranburi**, a bit further from Hua Hin, is also popular owing to its serene, beautiful beaches.

Pattaya, only a 1.5-hour drive from Bangkok, has an enormous range of resorts, hotels and guesthouses. It is always a good place to invest, especially in the serviced apartments market. All year round, the city attracts a large number of both international and domestic tourists. The new international airport is also close to Pattaya.

Ranong has good potential for tourism. The Verclub Group of Singapore is going to open its casino, hotel and resort valued at USD 60.6 million on Burma's Ku Island, only 5 km away from the Ranong Deep Sea Port. Additionally, the Andaman Club Group has obtained a 30-year concession on Son Island, 6 km away from Ranong, from Burma's government to open a casino and hotel. Thus, it is certain that within a few years, tourism along the Ranong-Myanmar border will grow significantly. Ranong itself has various natural attractions, including several high-quality hot springs suitable for spa and medical tourism. The Tourism Authority of Thailand is planning to develop the province to be a "Spa City".

Trad, 312 km away from Bangkok, has a total of 51 islands, including the famous Chang and Kood Islands. The Chang Island area is mostly national park, and its scenic beachfront lands already house several luxurious hotels and resorts. Kood Island has not yet been fully developed. However, the majority of the island belongs to major Thai investors. The Treasury Department has mapped out an eco-tourism development plan calling for the construction of a small commercial airport, a waste management facility, ports and water and electricity plants.

Chiang Mai is the major city in the North. The city boasts a 700-year history that involves art, architecture, temples and cultural sites. This mountainous city provides various natural attractions and tourist activities. The city's tourism revenues in 2007 were USD 1.4 billion

Chiang Rai, the northernmost province of Thailand, is endowed with abundant natural tourist attractions and antiquities. Because of its natural beauty and serenity, Chiang Rai is fast becoming a popular escape for tourists wanting to get away and have a peaceful respite with nature. It also has the potential to become a major economic development area because of the new highway routes linking the province to China, Laos and Burma.

Chumphon has many picturesque beaches. Still maintaining its natural beauty, the province is best for those who seek relaxation in this natural and uniquely quiet atmosphere. Thus, currently, there is not much investment in hotels. When the Krabi tourism market becomes saturated in the future, Chumphon will likely be targeted as the next place to go. Chumphon is for investors with long-term vision. At present, the province has 67 hotels; almost all of them are for the medium- to lower-end of the market.

Spa

The Thai spa business has been popular with both Thais and foreigners for several years. There are currently 791 spa centers throughout the Kingdom, 245 of which have been certified by the Public Health Ministry. The big players are the Mandara and the Spa of Siam as well as the 6 chain hotels with their own distinctive spa brands, namely the Banyan Tree, Angsana, Six Senses, Centara by the Central Hotels & Resorts, and Devarana by the Dusit Group. An example of a highly successful Thai spa is the Chiva-Som International Health Resort in Hua Hin. Chiva-Som has consistently appeared among the top three spas in the Conde Nast Traveller (UK) Reader's Travel Awards. However, most spa centers in Thailand have not yet met international standards.

Long-term Accommodations for Foreign Retirees and Medical Patients (Long Stay)

Thailand is becoming increasingly popular for long stay visitors. There are many small-scale long-stay accommodations in major tourist cities such as Hua Hin, Pattaya and Phuket. However, most of them have not yet satisfied international standards. So far, the best long stay is the Black Mountain in Hua Hin because of its in-house healthcare services, golf course and community activities. There seems to be a market for a long-stay program offering opportunities to stay in multiple locations with different atmospheres. Chiang Rai is highly recommended for long-stay investment due to its unspoiled natural beauty, cool weather during the winter, peaceful surroundings, inexpensive property, reputable healthcare facilities and friendly residents. The province also has hot springs, ideal for healthcare long stay.

Theme Park

The best places to invest are Pattaya and Bangkok. Pattaya is always a favorite choice among travelers, and the amusement parks there are not well-developed. Currently, the city has *Mini Siam*, a theme park displaying miniature replicas of Thai heritage sites, and the *Pattaya Water Park Beach Resort*. Bangkok has several theme parks. However, Bangkok's amusement parks such as Dream World and Siam Water Park are on a somewhat smaller scale than international standards.

Air/Sea Transport

Thailand's domestic flights are quite limited; most are flights from Bangkok to major regional or tourist cities. There are few short-haul flights between cities in the same region, and the schedules are inflexible for tourists. For instance, there are no flights between Phuket and Hat Yai, Phuket and Ranong, or Hat Yai and Ranong. Currently, it takes four hours to drive from Pattaya to Hua Hin but, if a cruise were available, it would take only 1-2 hours. Investment in this area is eligible for Thailand's Board of Investment (BOI) promotions.

Conference and Exhibition Center

Thailand's major cities such as Phuket or Chiang Mai do not have meeting and exhibition centers. The Royal Cliff Beach Resort in Pattaya recently opened the Pattaya Exhibition and Convention Hall, which can accommodate about 5,000 people. The best places to invest in such ventures are Phuket and Pattaya. Investment in this area is eligible for Thailand's Board of Investment (BOI) promotions.

Yachting Marina

In 2007, Phuket was voted by the annual Christofle Asia Boating Awards as "Asia's Maritime Capital". Royal Phuket Marina, with its 350 berths, is by far the largest and most sophisticated yachting haven. It is the only marina in Phuket that meets world-class facilities and services standards. Currently, three marinas that can accommodate more than 100 berths are under construction. The Board of Investment (BOI) offers investment promotion privileges for ocean marina services.

Competition

Since tourism infrastructure covers a wide range of related industries, below is only a brief summary of the key players in the market. For more detailed industrial competitive analyses, further in-depth study into each particular industry is necessary.

Hotels & Resorts

Hotels & Resorts in Thailand		
Region	Number of Hotels & Resorts	Percentage
South	1,850	39.5%
Eastern Coast	780	16.8%
North	690	15%
Bangkok	315	6.8%
Northeastern	280	6%

Although hotels in Bangkok only comprise a 6.8% share of the total number of hotels in Thailand, Bangkok properties are the top revenue earners with an annual income of over USD 10 billion. Phuket ranks second in revenue, with annual income of USD 2.7 billion, followed by Pattaya, with annual earnings of USD 1.5 billion, and Chiang Mai, with annual revenue of USD 1.4 billion.

At the top end, there are a number of hotels managed by international hotel groups: Accor, Banyan Tree, Conrad, Hyatt, Intercontinental, Le Meridien, Marriott, Mandarin Oriental, Peninsula, Shangri-la, Six Senses, Starwood, Summit and Zenith. The major Thai hotel groups are Central Hotels & Resorts, Amari Group, Dusit Group, Royal Garden Group, Imperial Hotel Group, Asia Hotel Group, Baiyoke Group, Siam City Group, Pinnacle Hotels Group, Ambassador Group, Felix Hotels Group, Pavilion Hotels Group, Regent Group, Canary Bay Group, Royal River Group, Sawasdee Hotels Group, Jomtien Pattaya Group, Chaleena Group and Town In Town Hotel Group.

The situation of the market and the level of competition vary province by province.

Long-term Accommodations for Foreign Retirees and Medical Patients

There are many small-scale operators in the market.

Theme Park

Aside from the two theme parks in Pattaya mentioned above, Thailand's theme parks are:

Ancient City is located in the outskirts of Bangkok in Samutprakarn province. The 320 acres of land feature 109 replicas of famous monuments and architectural attractions in Thailand.

Dream World is Bangkok's largest amusement park, resembling an American-style theme park.

Siam Water Park features a giant pool complete with a wave pool, swimming pools, fountains and waterfalls. Suan Siam also has some fun amusement park rides.

Safari World in Bangkok is the African animal theme park with plenty of creatures from all over the world.

Phuket FantaSea in Phuket is a 140-acre nighttime cultural theme park.

Chiang Mai Night Safari, a government-owned nature theme park, which was built to promote Chiang Mai tourism. It was officially opened in February 2006.

Domestic Air Transport

Thai Airways is the national flag carrier with frequent flights from Bangkok to 11 major destinations and a slightly higher price than the budget airlines.

Nok Air is a budget airline under the Thai Airways International Group.

Air Asia is a low-cost airline, flying to 48 destinations within Asia.

Bangkok Airways has exclusive rights to use the Samui and Pattaya airports. Its prices tend to be a little high do to the lack of competition in certain areas such as Samui Island and Trad.

PB Air focuses on providing flights to less popular/tourist destinations in Thailand such as Lampang, Nan, Roi Et, Sakon Nakhon, Nakhon Phanom and Buriram and to Danang, Vietnam.

SGA Airlines offers flights from Bangkok to Hua Hin and flights from Chiang Mai to Chiang Rai, Mae Hong Son and Pai.

One-Two-Go Airlines, a Thai budget carrier, has temporarily ceased its operations. It is looking for a foreign partnership and to being a full-fare carrier.

Destination Air, based at Phuket International Airport, operates a fleet of sea planes that provide short flights between southeastern destinations, including Phuket Airport-Phi Phi Island, Phuket-Khao Lak, Phuket-Trang and Phuket-Mook Island

Market and Obstacles

Compared with Vietnam and Malaysia, Thailand's investment regulations are more rigid and inflexible. However, Thailand's Board of Investment (BOI) is now in the process of revising its investment regulations for the service industry, including tourism. To lessen the bureaucratic procedures, it is better to consult first with the Department of Tourism Investment of the Tourism Authority of Thailand.

Trade Events

Discovery Thailand and World 2008

Date: September 4-7, 2008

Venue: Queen Sirikit National Convention Center

URL: <http://www.qsncc.co.th>

Thailand Health and Beauty Show 2008 (Thailand HBS 2008)

Date: November 5-9, 2008

Venue: IMPACT Muang Thong Thani Convention Center

URL: <http://www.thaitradefair.com/fairin/hbs08/>

Key Contacts

U.S. Commercial Service
Suite 302, 3rd Floor, GPF Witthayu Tower A
Wireless Road, Pathumwan, Bangkok, 10330 Thailand
Tel: 662-205-5090
Fax: 662-255-2915
URL: <http://www.BuyUSA.gov/thailand>
Contact: Kornluck Tantisaeree, Commercial Specialist
E-mail: ktantisa@mail.doc.gov

Tourism Authority of Thailand (TAT)
Tourism Investment Department
1600 New Pethburi Road, Makkasan, Rajthewi
Bangkok, 10400
Tel: 662-250-5500
Fax: 662-250-5511
URL: <http://www.tat.go.th>

For More Information

The U.S. Commercial Service in Bangkok, Thailand can be contacted via e-mail at: ktantisa@mail.doc.gov;
Phone: 662-205-5242; Fax: 662-255-2915; or visit our website: www.BuyUSA.gov/thailand

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